

STATE OF MAINE  
OFFICE OF SECURITIES  
121 STATE HOUSE STATION  
AUGUSTA, ME 04333-0121

IN RE:  
  
JESSE BEAN

CONSENT ORDER  
No. 10-055

This is an order of the Securities Administrator issued under 32 M.R.S. § 16604 with the consent of Jesse Bean ("Bean"). Bean neither admits nor denies the findings of fact or conclusions of law set forth below, but agrees to the entry of this Consent Order, and waives his right to a hearing and to judicial review.

**I. FINDINGS OF FACT**

1. On March 10, 2011, the Securities Administrator issued a Notice of Intent to bar Bean from association with any issuer, broker-dealer or investment adviser and impose a civil fine.
2. Bean requested a hearing in this matter on March 18, 2011.
3. Bean is a Maine resident whose address is 401B Main Street, Calais, Maine 04619. At no time has Bean been licensed to sell securities in Maine.
4. Bean currently holds a Maine resident insurance producer license (#PRR132273). The license records of the Maine Bureau of Insurance show Bean is currently affiliated with F A Peabody Company, a Maine licensed insurance agency located in Houlton, Maine, and has been with F A Peabody since June 2010.
5. Bean was an appointed producer with Bankers Life and Casualty Company from approximately January 2007 through March 2009.
6. Bean was not appointed by any insurance company from March 12, 2009, to December 14, 2009.
7. Soon after leaving Bankers Life, Bean learned about an investment offered by Genesis Fulfillment Management, LLC ("Genesis"). The product offered by Genesis was a one-year promissory note that guaranteed a return of 9%. Steadfast Fulfillment, LLC ("Steadfast"), a subsidiary of Genesis, promised to pay the return on the promissory note.

8. Bean was concerned that he might need a license to sell the Genesis promissory notes because Genesis described the notes as an "investment." However, the only inquiry that Bean made about the need for a license to sell the Genesis promissory notes was to ask Russell Freeman ("Freeman"), the person Bean believed to be the president of Genesis, whether a license would be needed. Freeman assured Bean that no license was required because the Genesis promissory notes involved a mortgage transaction, and not a security. Bean did not confer with a securities attorney or the Office of Securities ("the Office") to determine whether licensure was required.
9. Bean's due diligence of the Genesis promissory notes consisted of contacting a real estate broker that Freeman had identified and conducting a search of the web for information about Genesis. Both inquiries revealed no negative information regarding Genesis or the promissory notes. Bean did not confer with a securities attorney or the Office to determine whether the Genesis promissory notes were registered, exempt from registration, or required to be registered.
10. Bean never conducted independent research regarding Freeman, Bean's primary source of information about the Genesis promissory note. Had Bean conducted such research, he would have learned that, in connection with a scheme that involved the sale of promissory notes, in 2002 Freeman was convicted in Wisconsin state court of selling unregistered securities, selling securities without a license, and theft/false representations, for which he was sentenced to 9 years in prison and ordered to pay restitution of \$2,531,623.30. In addition, in an unrelated case, in 2002 Freeman was convicted in federal court of fraud and mail fraud, sentenced to 30 months in prison, and ordered to pay \$224,000 in restitution. At the time Freeman was providing Bean with information regarding the Genesis promissory notes, Freeman was on probation.
11. In or around May 2009, Bean solicited a 78-year-old Maine resident to invest in the Genesis promissory note.
12. Bean provided the Maine resident with a Genesis brochure that described the Genesis promissory notes. That description included the following:
  - a. Investors' money would be used to purchase distressed properties whose value would be worth much more than the money provided by the investor;
  - b. the investment in the promissory note would be fully collateralized because the investor would hold the first mortgage on the property and could therefore sell the property if Steadfast failed to meet its commitment;
  - c. investors' funds would provide only 70% of the purchase price on the property;
  - d. Genesis would provide the remaining 30% of the purchase price of the property; and
  - e. Genesis would not handle the investors' funds.
13. To fund the purchase of the Genesis promissory note, Bean recommended to the Maine resident that he surrender a Bankers Life and Casualty Equity Indexed Annuity



14. The Maine resident agreed to Bean's recommendation and surrendered the Bankers Life EIA, for which the Maine resident was assessed a surrender charge of 10% of the value of the annuity, or \$5,039.29.
15. On October 19, 2009, the Maine resident purchased the Genesis promissory note for \$46,491.37, which is how much the Maine resident received from the surrender of the Bankers Life EIA. Bean received a commission of \$1421.75 for selling the note to the Maine resident.
16. Bean recommended to the Maine resident that he invest in the Genesis promissory note despite the surrender charge he would incur because (a) he would recover the surrender charge within one year, and (b) he would make significantly more money overall if his funds were invested in the Genesis promissory note rather than the Bankers Life EIA.
17. At no time was the Genesis promissory note registered in Maine.
18. The value of the property purchased by Genesis using the Maine resident's money was not worth more than the money provided by the resident, as had been represented to him, nor was it fully collateralized. The property had been listed on the market for \$99,500 on November 15, 2007. That listing expired on June 15, 2008, at which time the listing price for the property had been reduced to \$97,500. On May 15, 2009, the home was relisted for \$29,900, and the property finally sold on November 17, 2009, for \$14,000.
19. Contrary to the representation made to the Maine resident that his funds would pay only 70% of the purchase price of the property, closing documents show that the Maine resident's funds covered 100% of the cost to purchase the property, including all closing costs; thus, Genesis did not contribute 30% of the purchase price.
20. Despite representation that Genesis would not handle investors' funds, Steadfast was sent the \$34,391.00 that was left after the Maine resident's funds were used to purchase the property and cover closing costs. Therefore Genesis did handle investors' funds when it acted through its subsidiary Steadfast to receive the Maine resident's funds.

## **II. CONCLUSIONS OF LAW**

1. The Maine Uniform Securities Act ("the Act") grants authority to the Securities Administrator to take action against a person if she determines that person has engaged, is engaging or is about to engage in an act, practice or course of business that constitutes a violation of the Act or a rule adopted or order issued under the Act.

2. Bean violated 32 M.R.S. § 16301 when he offered and sold the Genesis promissory note to the Maine resident when the note was not registered, exempt from registration, or a federal covered security.
3. Bean violated 32 M.R.S. §§ 16401 and 16402 when he acted as an unlicensed broker-dealer or unlicensed agent of a broker-dealer or issuer when he offered and sold the Genesis promissory note to the Maine resident.
4. Bean violated 32 M.R.S. § 16501(2) when he made untrue statements of material fact to the Maine resident when he falsely represent that (a) his money would be used to purchase distressed properties whose value would be worth much more than the money provided by the investor; (b) his investment in the promissory note would be fully collateralized; (c) investors' funds would provide only 70% of the purchase price on the property; (d) Genesis would provide the remaining 30% of the purchase price of the property; and (e) Genesis would not handle the investors' funds.
5. Bean also violated 32 M.R.S. § 16501(2) when he failed to disclose to the Maine resident the material facts that Bean's primary source of information regarding the Genesis promissory note had been imprisoned and was currently on probation for prior securities-related convictions.
6. This Consent Order is in the public interest because it will tend to deter similar misconduct by Bean and others in the future.

#### **ORDER**

1. Bean is barred from associating with any issuer, broker-dealer, or investment adviser in Maine for a period of two years.
2. In lieu of a civil penalty, Bean shall pay \$5,000 in restitution to the heirs of the Maine resident, with \$100 to be paid no later than the date this order is executed, and the remainder to be paid in 50 monthly installments of \$100, with the first payment being due by June 1, 2011, and each subsequent payment being due by the first day of each subsequent month, and all payments to be made via checks made payable to "Treasurer, State of Maine" and delivered on or before the due date to the Office of Securities, which shall distribute the funds to the Maine resident's heirs.
3. If Bean fails to make restitution payments as set forth above, all remaining restitution shall become immediately due.

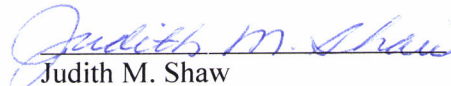
4. In any future proceeding concerning Bean, except for an action for breach of this Consent Order, the Securities Administrator will take no further action adverse to Bean based solely on the terms of this Consent Order, the allegations contained in the Notice of Intent, or any other information known to the Office of Securities as of the date of this Consent Order, provided, however, that nothing in this Consent Order shall preclude the Securities Administrator from taking this Consent Order, the underlying allegations, and all other information into account in determining the proper resolution of any future action based at least in part on other allegations and information.

Without admitting any of the above findings of fact or conclusions of law, Bean, by signing below, agrees to the entry of this Consent Order and waives his right to a hearing and to judicial review.

Date: April 29, 2011

  
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Jesse Bean

Date: May 2, 2011

  
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Judith M. Shaw  
Securities Administrator